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BRIEF PRESENTED BY
THE LETHBRIDGE CHAMBER OF COMMERCE
TO
THE ROYAL COMMISSION ON COAL (1959)

I Introduction

Ever since the establishment of coal mining in the Lethbridge Field, some 90 years ago, the industry has been a constant and valuable source of revenue and employment for the people of this area. Throughout the near-century of its existence, the industry has experienced cycles of prosperity and poverty, of high demand for the products or a famine of orders.

During the lean years, doubt has been expressed as to the future of the industry and the advisability of retaining the mines. Yet, due to changing conditions a few years later, the industry found itself experiencing a renewed demand for the product, even to the extent that the Dominion Government sought ways of quickly expanding production to meet the unexpected demand. The coal industry today, due to inroads of surplus competitive fuels, again finds itself in a period of low production, with the value of retaining the mines in question. We submit that, in a short space of time, demand for the product as a source of energy will rise sharply, and the value of protecting the industry through the difficult period will be evident. The reasons for this expectation, together with advantages of retaining the industry, will be

presented for the Commission's consideration.

II Reserves of the Lethbridge Coal Field

The 1958 Annual Report of the Mines Division of the Department of Mines & Minerals of the Province of Alberta, estimates the reserves of the Lethbridge area at 700 million tons of Bituminous "C", High Volatile coal. The seam lies in an area of 150 square miles, mainly north and west of the City of Lethbridge, being approximately four to five feet in thickness. The coal has superior characteristics for domestic use with a low moisture content giving it good storage qualities. In addition, it is well suited for industrial use and steam-raising purposes, having been used in such a role for many years. The coal is of a non-coking variety. The deposits of coal, therefore, represent a tremendous asset and valuable energy source.

III Factors Contributing to the Present Position of the Coal Industry

It is not necessary to go into a long dissertation on the dwindling market for coal for domestic heating and industrial use. Suffice it to point out that the rapid discovering of oil and natural gas has resulted in a very substantial surplus of these competitive fuels in the market area for Lethbridge coal. The laying of a network of pipelines across the market area has allowed gas to largely displace coal as a means of household heating. There appears

to be little ground for expecting coal to regain any significant portion of the household market. The future market, therefore, appears to be in the realm of industrial use, power generation and, to a lesser extent, commercial heating.

The ability of the coal industry to capture a share of the industrial market at the present time is seriously hampered by three main factors:-

First - The low well-head prices now being paid for natural gas due to the surplus of the commodity and the continued delivery of gas on previously signed, extremely low-priced contracts.

Second - The two-part system of pricing of natural gas, whereby the householder and small commercial user pay one price for their fuel, with the industrial users' rate being set at such a level as will keep them on gas or convert them to gas from other fuels. Under such a system, and with rates set which utilities are allowed to earn, the industrial rate can be set at such a level as is necessary to meet, and thereby stifle, competition, while the semi-captive householders' rate can be set to provide the necessary return for profitable operation of the utility. While gas utilities maintain that the increased volume pays some part of overhead and thus, in the final analysis, reacts to the benefit of the householders' rate, the fact remains that the two-part pricing system places competitive fuels at a major disadvantage, and, in some cases, creates an impossible situation. This

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practice is particularly evident in areas where natural gas is being introduced for the first time.

Third - The price of coal used for domestic heating purposes varies greatly according to size - the larger sizes commanding a higher price. Under present market conditions it is, therefore, essential that operators of coal mines employ costlier methods of mining in order to obtain a maximum of the premium-sized product. The requirement of a large percentage of plus 2" coal prevents the use of specialized high production continuous mining machines. Until sufficient industrial market is available, the domestic industry cannot take full advantage of the latest advances in coal mining technology. However, as the industrial market becomes available, employment of such machines will materially reduce production costs and greatly improve coal's competitive position.

IV Future Prospects for the Coal Industry

It is anticipated that the next few years, possibly four or five, will represent the most difficult time for the coal industry. With the United States burning 1.25 billion cubic feet of gas per hour, and the American Gas Association predicting a doubling of the industry's sales in the next ten years, the era of surplus natural gas at unrealistically low prices will come to an end. As pipelines reach their capacity, the large volume of "surplus" gas now sold at bargain

prices to industry will, no doubt, be diverted to more lucrative markets or otherwise be required to pay its way by commanding higher prices. A survey included in the joint submission of the Canadian Western Natural Gas Company in Calgary and North-Western Utilities Ltd. in Edmonton before the Borden Commission, predicted greater competition for gas supplies by exporters. Higher costs of producing and distributing in the future will likely make gas less attractive to industries than coal.

In support of the foregoing statements, already signs of correction are evident. Pipeline companies have had to raise well-head prices and escalator clauses are in effect. In Alberta, the year 1959 saw substantial increases in the price of gas to many industries and power generation stations.

Under similar conditions in the United States coal is making a strong comeback, particularly in the field of power generation.

We believe the realization that gas is a "superior fuel" and should be reserved for "superior" heating purposes and specialized processes will certainly curtail, if not prohibit, the use of gas under boilers in many installations. The Federal Power Commission in the United States has given concrete evidence that it feels that the time has already arrived for such action. In a 1959 decision, the F.P.C. issued an order denying natural gas service to Consolidated Edison Company, New York, for boiler fuel purposes.

Subsequently, the Third Court of Appeals in Philadelphia set aside the F.P.C.'s order on the basis that the Commission overstepped its authority and was acting in a "conservation role" in which it had no jurisdiction. While the order was set aside on a technicality, the fact remains that the Government-appointed Federal Power Commission has clearly indicated it feels the time has arrived for concrete action to curtail the use of gas in certain major installations. When such conditions become prevalent, the coal and gas interests are visualized more in the line of complementary, rather than competitive, industries.

The constant discovery of new chemical processes and technological break-throughs have resulted in the continual upgrading of industrial minerals and other natural resources and this process appears to be accelerating. In the line of coal, a recently announced process by which non-coking coal can be made to coke could rapidly upgrade the Lethbridge deposits and broaden the market horizon to include the steel industry. The new process is the basis of recently disclosed plans for a 3.5 million dollar plant at Kemmerer, Wyoming. Thus, new fields are constantly being opened up, any one of which can completely change the future prospects of the coal industry. With the tempo of research on coal, especially in the United States, being accelerated, announcements of new discoveries and processes can be expected at more frequent intervals.

The increasing demand for electrical energy will have its repercussions in the coal industry. The first phase, whereby power plants are located on top of strippable coal seams, is already in progress. When available strip coal has been earmarked for established, or projected additions to, generating stations, the second phase of using underground coal will receive attention. Again, looking to the United States for indications of the trend, we find underground mines producing coal in large tonnages for electric power generation with 1959 figures rising by 15% over the previous year and an estimated further 15% increase to 186 million tons in 1960. In view of the unanimous predictions of experts, a steady increase in electrical energy requirements coupled with proof of the already-established large scale demand for coal for this purpose in the United States, it is realistic to expect the same trend to soon become evident in Canada.

As industrial tonnage becomes available, it will be possible for coal mining companies to take advantage of "continuous miners" and other companion machines, especially designed for high-speed production of small coal. The output per man day will rise materially, thus further enhancing coal's competitive position.

V. Various Advantages of Retaining the Coal Industry in Southern Alberta.

We submit that the coal industry is a valuable asset to Southern Alberta which should be retained and advance herewith

a few of the major reasons for such views.

The coal mining industry is one of the largest, if not the largest, single employer of men during that time of year when unemployment is a major problem. With senior governments so concerned as to pay 75% of the cost of winter-works programs, it would appear that assistance to the coal industry, which permanently fulfills such a role, is worthy of consideration. The amount of money paid out in the form of unemployment benefits in the area is materially reduced by the presence of this long established winter-works industry. The fact that assistance will be required for but a few years makes granting such assistance even more attractive.

The industry employs many agricultural workers from small farms during their off season, thus supplementing the income of a group which otherwise would have a difficult time. Provision of this employment forestalls migration of the workers into the city, thereby averting further complication of the urban unemployment picture.

The movement of large tonnages of coal from the mines contributes materially to railway freight traffic, thus indirectly creating employment for another sector of the working population. The movement of the majority of the coal from Southern Alberta fields at a time when other freight shipments are at a low ebb again provides employment when it is most needed.

One of the major advantages of retaining the coal industry will not be fully realized for another two or three years but it is of such importance as to warrant special mention. It is as a competitive source of energy. As energy costs rise, it will be of utmost importance to any area to have alternate sources of energy. To allow one of the major sources of supply to disappear from the scene would, to a large extent, remove the competitive aspect. One of the major attractions of Southern Alberta for industry is low fuel costs. While these will rise as predicted by the experts, the presence of competitive fuels will tend to temper such increases in much the same manner as competitive transportation systems tend to stabilize their rates. In the same manner that competitive transport rates are a factor in attracting industries, so is the presence of competitive fuels. For this reason the retaining of the coal industry in Southern Alberta is of major importance.

The Lethbridge area with its vast reserve of 700 million tons of coal and necessary water for cooling purposes will be a logical location for a large power-generating station when energy requirements increase. Therefore, maintenance of the industry, with its valuable assets in the form of an established cleaning plant and developed mine and crew of specially certificated men, appears most wise. The plant and underground development as it now stands represents an asset

of over \$1,000,000.00 as an operating concern. The loss of this industry when recovery of markets appears relatively close at hand would be a serious waste of assets. The obtaining of the specialized and certificated working force, necessary for re-establishment of the industry would present a major problem and involve high costs and a considerable time delay.

From a national defense point of view, the retention of the present coal industry appears most wise. In the minds of those in authority, world conditions are such as to warrant the expenditure of hundreds of millions of dollars per year on defense. Under such conditions, the retention of a healthy fuel and energy picture on the home front is of utmost importance. We submit that, should another emergency arise, the coal industry would again be called upon to provide fuel and energy in substantial amounts. This can only be done if the present small remaining coal industry is kept intact.

The assistance necessary to hold the present Western industry through the lean years ahead might well be measured in terms of one or two fighter planes or missiles a year (which are, in many cases due to the rapidly changing picture, obsolescent before they become fully operational). When thought of in this light the relative advantage of holding the coal industry for defense purposes alone is apparent.

Again, from the national point of view, it would not appear wise to disrupt the orderly production of an almost

inexhaustible material resource such as coal on which the country in the near future must rely for increasing amounts of energy, while temporary low-cost competitive fuels capture more markets than are necessary for their profitable operation.

The underground section of the industry has been drastically reduced in size until only a bare nucleus is in existence. In the main, the continued operation of the remaining companies is indicative of their relative strength, efficiency, flexibility, and a preference for their products. In short, those in existence represent the most hardy members of the one-time large industry and therefore are the operations which will give maximum returns for assistance rendered. The fact that only a bare nucleus remains points up the urgency of the situation.

VI Recommendations

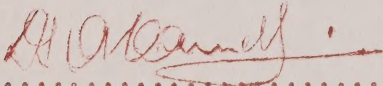
For those reasons set forth in this brief, we strongly recommend to the Commission that the Government of Canada be urged to render such assistance as may be necessary to maintain the present existing nucleus of the coal industry in Western Canada, and, in particular, that in the Lethbridge area. We feel assistance can best be given in the form of establishing or earmarking for the industry the necessary basic tonnages that will allow the operations to continue on

a "break-even" basis through the present difficult period.
This might well be accomplished through subsidy, subventions
or the designation of certain specified markets for coal.

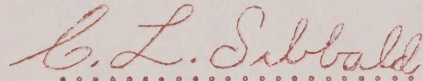
We suggest that the Dominion Coal Board would appear to
be the logical agency to work out the details as to the amounts
and location of such tonnages, together with other adminis-
trative details required to implement this recommendation.

We appreciate the opportunity which has been afforded to
present this brief to the Commission.

Respectfully submitted,
LETHBRIDGE CHAMBER OF COMMERCE.



.....
D. S. O'CONNELL,
EXECUTIVE SECRETARY



.....
C. L. SIBBALD,
PRESIDENT

